

TOGO

Table 1

	2023
Population, million	9.1
GDP, current US\$ billion	9.1
GDP per capita, current US\$	1008.3
International poverty rate (\$2.15) ^a	26.6
Lower middle-income poverty rate (\$3.65) ^a	58.8
Upper middle-income poverty rate (\$6.85) ^a	86.8
Gini index ^a	37.9
School enrollment, primary (% gross) ^b	122.5
Life expectancy at birth, years ^b	61.6
Total GHG emissions (mtCO2e)	10.2

Source: WDI, Macro Poverty Outlook, and official data.
 a/ Most recent value (2021), 2017 PPPs.
 b/ WDI for School enrollment (2022); Life expectancy (2021).

Growth is projected to moderate in 2024 before picking up again in 2025-26, albeit at a slower-than-expected pace reflecting a deteriorated external environment including ECOWAS uncertainties, and ongoing fiscal consolidation efforts. As growth strengthens, the extreme poverty rate should decline to 21.5 in 2026, down from an estimated 25.8 in 2023. Risks of regional instability, financial turbulence, and climate pressures call for resilience-enhancing reforms combined with prudent fiscal policies.

Key conditions and challenges

Growth has been resilient to a sequence of shocks since the COVID-19 pandemic, but vulnerable populations have been adversely impacted by elevated inflation, while significant rural-urban disparities in economic opportunities and access to basic services continued to hamper progress in reducing poverty and inequality. A strong fiscal response explains a significant part of the economic resilience in recent years but contributed to bringing public debt to record high levels, averaging 63.0 percent of GDP in 2020-22. Amid tighter financing conditions, rising debt service costs, and growing regional uncertainty, developing a well calibrated fiscal consolidation strategy that preserves priority investments and critical social spending, and privileging external concessional financing over more expensive regional borrowing have become increasingly urgent. Mobilizing private investment, including for infrastructure development and in agriculture, could help boost growth and the welfare of most vulnerable and poorer populations while fiscal space is being restored.

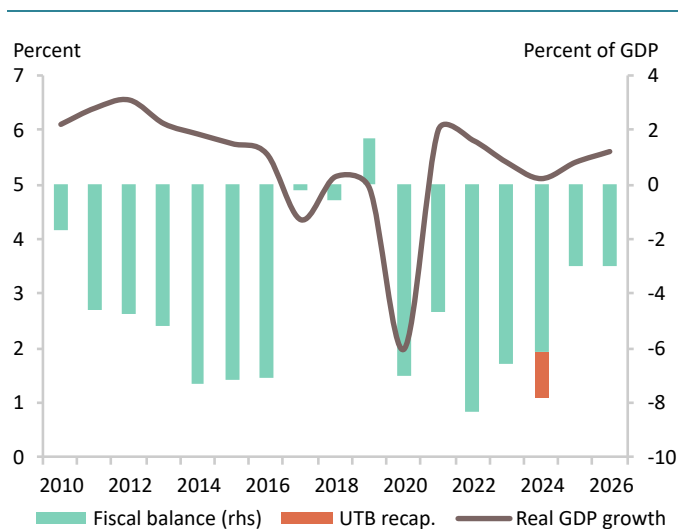
Recent developments

Despite a series of unprecedented shocks, Togo maintained a robust 4.8 percent average growth rate over 2020-23, equivalent

to real income per capita gains of 2.4 percent per annum. Growth is estimated to have moderated to 5.4 percent in 2023, reflecting weakness among key trading partners and a retrenchment in public spending as part of initial consolidation efforts. While the extreme poverty rate (at \$2.15 2017 PPP) dropped to 26.6 percent in 2021, from 28.4 percent in 2018, the actual number of extreme poor increased. Moreover, the rural-urban gap in welfare remained persistently high, with 41.3 percent of the rural population facing extreme poverty in 2021, compared to an urban rate of just 7.1 percent. Since 2021, rising inflation impacted households' purchasing power, and despite sustained economic growth and higher agricultural incomes, extreme poverty remained nearly constant at 26.7 percent in 2022, dropping slightly to 25.6 percent in 2023. This slow poverty reduction coupled with faster population growth led to about 40,000 additional extreme poor between 2021 and 2023.

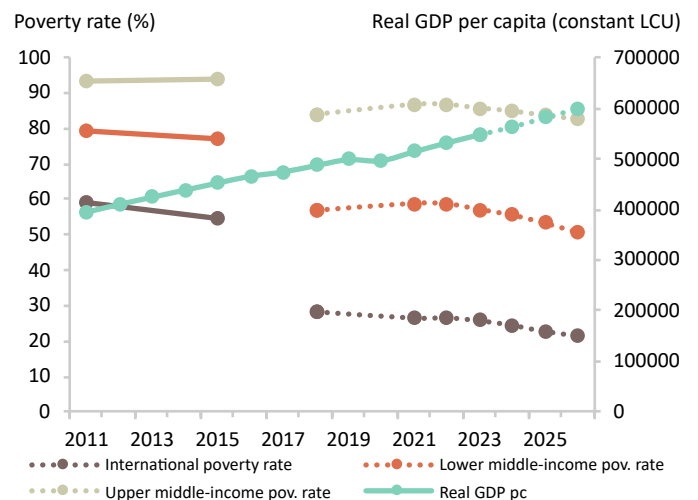
The fiscal deficit remained elevated at 6.6 percent of GDP in 2023 but narrowed from a three-decade high of 8.3 percent in 2022. The improvement resulted from lower transfers and subsidies, restrained goods and services expenditure, and increased revenues. However, elevated security spending and new economic and social infrastructure investments prevented faster consolidation, causing the debt-to-GDP ratio to further increase to 67.2 percent of GDP. Regarding monetary policy, the Central Bank of West African States (BCEAO) raised policy interest rates by a cumulative 150 basis points since mid-2022 (to 3.5 percent for liquidity calls and 5.5 percent for

FIGURE 1 Togo / Real GDP growth and fiscal balance



Source: World Bank.
 Note: World Bank projections start in 2023.

FIGURE 2 Togo / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

the marginal lending facility) but inflation in the region remained above the 1-3 percent target range and foreign exchange reserves dropped further to 3.5 months of imports in 2023.

Outlook

With global demand remaining subdued in 2024 and fiscal consolidation measures intensifying, growth in Togo is projected to slow to 5.1 percent in 2024 (2.8 percent per capita terms), before gradually strengthening to 5.4 percent in 2025 and 5.6 percent in 2026. While slower than initially expected due to faster fiscal consolidation and regional uncertainties, growth will be supported by domestic demand with ongoing and planned private investment projects and a recovery in consumer spending as inflationary pressures taper. Exports will provide an additional boost from 2025 as the global economy regains some strength while public investment should

regain momentum from 2026 as fiscal consolidation ends. Ongoing reforms should help support agriculture productivity and boost private investment. The announced exit of Mali, Niger, and Burkina Faso from ECOWAS is expected to lead to relatively modest trade disruptions in the short term but is heightening regional uncertainty, which could weigh on investment sentiment, notably around the development of the Lome-Ouagadougou-Niamey economic corridor. The BCEAO may need to continue tightening monetary policy in 2024 to bring inflation under control and prevent further declines in foreign reserves. Poverty is projected to moderate gradually in 2024 and 2025, and more substantially in 2026, to reach 21.2 percent.

In line with the fiscal framework agreed in the context of the new IMF program and WEAMU commitments, the fiscal deficit is expected to decline to 4.5 percent of GDP in 2024 (excluding the one-off effect of the recapitalization of the state-owned bank UTB amounting to 1.6 percent of GDP) and 3.0 percent in 2025 driven by a drop in capital

spending and transfers on the expenditure side, and by tax and customs reforms and the rationalization of tax exemptions on the revenue side. The government faces difficult tradeoffs in its fiscal consolidation strategy to minimize disruptions to priority investments and public services.

The growth outlook is subject to multiple downside risks. Longer lasting disruptions to global trade, commodity, and financial markets following a sequence of unprecedented shocks in recent years could have a significant knock-on effect on a small, open, and relatively indebted economy like Togo. A disorderly exit of Mali, Niger, and Burkina Faso from ECOWAS, and possibly from WAEMU, could lead to financial market instability in the short term and trade dislocations over the medium term. Additional downside risks stem from rising insecurity in the North that could weigh on investment, trade, and public finances, as well as climate shocks that negatively impact agricultural productivity. Finally, reforms could stall and hamper confidence in Togo's development trajectory.

TABLE 2 Togo / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.0	5.8	5.4	5.1	5.4	5.6
Private consumption	9.9	1.3	4.8	6.0	5.9	5.8
Government consumption	0.2	8.8	5.6	3.1	6.1	5.9
Gross fixed capital investment	-0.2	26.4	7.2	4.4	3.7	4.8
Exports, goods and services	5.3	-1.1	4.2	4.9	6.4	6.8
Imports, goods and services	6.9	5.1	3.8	4.3	5.0	5.4
Real GDP growth, at constant factor prices	5.3	6.2	5.3	5.0	5.4	5.6
Agriculture	3.4	5.0	5.1	4.1	4.5	4.2
Industry	5.7	7.3	7.1	6.4	6.8	6.9
Services	5.9	6.2	4.6	4.8	5.1	5.5
Inflation (consumer price index)	4.5	7.5	5.3	3.5	3.0	2.7
Current account balance (% of GDP)	-0.9	-3.0	-3.3	-3.4	-3.0	-3.0
Net foreign direct investment inflow (% of GDP)	0.3	0.3	0.4	0.4	0.5	0.4
Fiscal balance (% of GDP)	-4.7	-8.3	-6.6	-6.2	-3.0	-3.0
Revenues (% of GDP)	17.1	17.6	17.8	18.1	17.9	18.0
Debt (% of GDP)	63.0	65.8	67.1	68.8	67.0	65.0
Primary balance (% of GDP)	-2.5	-5.9	-4.5	-3.8	-0.5	-0.7
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	26.6	26.7	25.8	24.5	22.7	21.5
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	58.8	58.7	57.2	55.6	53.5	50.9
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	86.8	86.8	85.8	84.9	83.7	82.7
GHG emissions growth (mtCO₂e)	6.4	5.4	2.9	4.0	4.4	1.2
Energy related GHG emissions (% of total)	25.7	26.9	26.4	26.4	26.4	20.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.

Notes: e = estimate, f = forecast.

a/ Calculations based on 2018-EHCVM. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.